

# Comparison of Distributors' Costs

**Presentation to the  
Ontario Energy Board  
Consultation on Distributor Cost Comparisons  
September 12, 2007**

*Jay Shepherd, School Energy Coalition*

# Presentation Roadmap

- **Bill Comparisons**
  - *Approach of Schools (WACS)*
  - *Methodology*
  - *Most and Least Expensive*
- **Information Uses**
  - *Board Staff Proposals*
  - *Operational Benchmarking*
  - *Best Practices Plans*

# Bill Comparisons

# What Matters to Schools?

- **Quality of Service**
  - *threshold issue, therefore binary*
  - *service quality indicators an appropriate test*
- **Efficiency of Service**
  - *delivering quality at lowest reasonable cost for schools and other ratepayers, while maintaining reasonable returns for shareholders*
  - *WACS – weighted average cost per school*

# WACS

- **Three model schools**
  - *for consistency – adjusts for different school configurations in different LDCs*
  - *developed from sampling of actual bills*
- **Calculate annual bills for each**
  - *distribution only component, incl. losses, etc.*
- **Model school mix in any given area**
  - *developed from sampling of school boards*
  - *50.76% small, 28.84% medium, 20.40% large*
- **Compare to provincial median**

# Provincial Results

<b>Result</b>	<b>WACS*</b>
<i>Maximum</i>	<b>\$15,930.41</b>
<i>Minimum</i>	<b>\$1,572.83</b>
<i>Median</i>	<b>\$7,563.10</b>

# WACS

## Ten Least Expensive

(over 20,000 customers)

<b>LDC</b>	<b>WACS</b>	<b>Percent of Median</b>
Kingston	\$3,693.29	48.83%
Welland	\$3,937.47	52.06%
Horizon	\$4,108.07	54.32%
Thunder Bay	\$4,203.83	55.58%
Markham (PS)	\$4,367.99	57.75%
Chatham-Kent	\$4,566.42	60.38%
London	\$5,583.04	73.82%
Peterborough	\$5,875.53	77.69%
Milton	\$5,924.49	78.33%
Oakville	\$6,143.63	81.23%

# Cross-Referencing

- **First Step in Diagnostics**
  - *check against other factors*
- **ROFE**
  - *Return on financial equity*
  - *Source – OEB Yearbook*
  - *Not identical to ROE – typically 100 – 200 basis points lower*
- **Residential Rates**
  - *To identify cost allocation or rate design issues*
  - *Source – OEB website, adjusted to remove non-distribution costs*

# WACS

## Ten Least Expensive + ROFE

(over 20,000 customers)

<b>LDC</b>	<b>WACS</b>	<b>% of Median</b>	<b>ROFE</b>
Kingston	\$3,693.29	48.83%	7.05%
Welland	\$3,937.47	52.06%	13.64%
Horizon	\$4,108.07	54.32%	10.19%
Thunder Bay	\$4,203.83	55.58%	1.41%
Markham (PS)	\$4,367.99	57.75%	10.14%*
Chatham-Kent	\$4,566.42	60.38%	7.62%
London	\$5,583.04	73.82%	4.57%
Peterborough	\$5,875.53	77.69%	8.02%
Milton	\$5,924.49	78.33%	7.88%
Oakville	\$6,143.63	81.23%	6.37%

# WACS

## Ten Least Expensive + Res.

(over 20,000 customers)

<b>LDC</b>	<b>WACS</b>	<b>% of Med.</b>	<b>ROFE</b>	<b>Res. Bill</b>	<b>% of Med.</b>
Kingston	\$3,693.29	48.83%	7.05%	\$372.90	91.07%
Welland	\$3,937.47	52.06%	13.64%	\$405.81	99.10%
Horizon	\$4,108.07	54.32%	10.19%	\$398.58	97.54%
Thunder Bay	\$4,203.83	55.58%	1.41%	\$356.10	86.96%
Markham (PS)	\$4,367.99	57.75%	10.14%*	\$332.91	81.30%
Chatham-Kent	\$4,566.42	60.38%	7.62%	\$402.72	98.35%
London	\$5,583.04	73.82%	4.57%	\$402.62	98.32%
Peterborough	\$5,875.53	77.69%	8.02%	\$363.51	88.77%
Milton	\$5,924.49	78.33%	7.88%	\$404.82	98.86%
Oakville	\$6,143.63	81.23%	6.37%	\$447.07	109.18%

# WACS

## Ten Most Expensive

(over 20,000 customers)

<b>LDC</b>	<b>WACS</b>	<b>Percent of Median</b>
Newmarket	\$10,143.35	134.12%
Toronto	\$10,120.49	133.81%
Sudbury	\$10,094.54	133.47%
Haldimand	\$9,744.17	128.84%
Whitby	\$9,546.71	126.23%
Sault Ste. Marie (PUC)	\$9,406.99	124.38%
Mississauga (EHM)	\$9,227.96	122.01%
Aurora (PS)	\$8,984.01	118.79%
Ottawa	\$8,098.90	107.08%

# WACS

## Ten Most Expensive

(over 20,000 customers)

<b>LDC</b>	<b>WACS</b>	<b>Percent of Median</b>
Hydro One (Core)*	\$17,471.92	231.02%
Newmarket	\$10,143.35	134.12%
Toronto	\$10,120.49	133.81%
Sudbury	\$10,094.54	133.47%
Haldimand	\$9,744.17	128.84%
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# WACS

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Toronto	\$10,120.49	133.81%	11.08%
Sudbury	\$10,094.54	133.47%	8.01%
Haldimand	\$9,744.17	128.84%	6.47%
Whitby	\$9,546.71	126.23%	5.26%
Sault Ste. Marie (PUC)	\$9,406.99	124.38%	(9.49%)
Mississauga (EHM)	\$9,227.96	122.01%	7.28%
Aurora (PS)	\$8,984.01	118.79%	8.02%*
Ottawa	\$8,098.90	107.08%	18.13%

# WACS

## Ten Most Expensive + Res.

(over 20,000 customers)

<b>LDC</b>	<b>WACS</b>	<b>% of Med.</b>	<b>ROFE</b>	<b>Res. Bill</b>	<b>% of Med.</b>
Hydro One (Core)*	\$17,471.92	231.02%	8.41%	\$636.45	155.43%
Newmarket	\$10,143.35	134.12%	10.39%*	\$402.56	98.31%
Toronto	\$10,120.49	133.81%	11.08%	\$431.80	105.45%
Sudbury	\$10,094.54	133.47%	8.01%	\$394.79	96.41%
Haldimand	\$9,744.17	128.84%	6.47%	\$596.82	145.75%
Whitby	\$9,546.71	126.23%	5.26%	\$473.04	115.52%
Sault Ste. Marie (PUC)	\$9,406.99	124.38%	(9.49%)	\$303.54	74.13%
Mississauga (EHM)	\$9,227.96	122.01%	7.28%	\$371.22	90.65%
Aurora (PS)	\$8,984.01	118.79%	8.02%*	\$537.06	131.15%
Ottawa	\$8,098.90	107.08%	18.13%	\$396.65	96.87%

# Information Uses

# Uses of the Information

## Menu of Options

- **Operational Comparisons within Utility**
  - *Already common practice*
- **Screening by Board Staff**
  - *Deployment of resources (intervenors as well)*
  - *Allocation to regulatory method or type of hearing*
- **Aspect of X-Factor Calculation**
  - *Component of the formula*
  - *Factor in judgmental adjustment*

# Uses of the Information Schools' Proposal

## 1. Pre-Rebasing

- *Judgment-based X-factor component*

## 2. First Rebasing (2G IRM)

- *Performance Improvement Plan*
- *Target – Frontier Pricing*

## 3. Second Rebasing (3G IRM)

- *Assessment against plan*
- *Mandatory budget cuts if warranted*
- *Revised/Updated Performance Improvement Plan*

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